



City of Eden Prairie

2016/2017 Proposed General Fund Budget

08/18/2015 Council Workshop

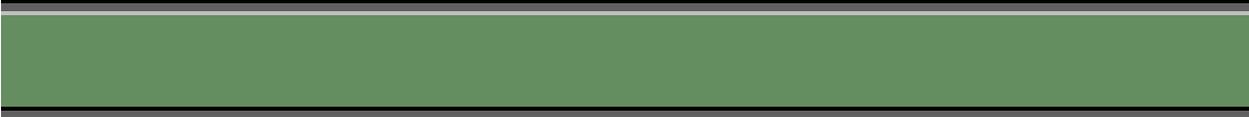


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Introduction

This document summarizes the City Manager recommended 2016/2017 operating budget as of 8/18/2015. There has been one change to the budget since the 7/14/2015 Council Workshop. We received updated information on property and liability insurance costs from the League of Minnesota Cities. We were able to reduce the General Fund Budget by \$61,000 and \$62,400 in 2016 and 2017 respectively.

The budget process started in March with the review of the Community Survey and will end in December with final approval and adoption of the budget. The process to date and future planned activities include the following:

- March 31 – City Council Workshop on the Community Survey
- April 8 – City Council Planning Session
- March/April - Prepare internal service fund budget and calculate charges, planning meetings held with internal service fund preparers
- Week of April 20 - Budget preparation meetings held
- Week of April 27 - Departmental budget planning meetings held
- May 19 - City Council Workshop, presentation 2014 financial results
- May 22 - Staff budget preparation work due
- Week of June 8 and 15 - Departmental budget follow up meetings held
- City Manager, Directors, and Finance prepare for City Council Workshop
- July 14 and August 18- City Council Workshops
- August to October - Budget Engagement
- September 1 - Council adopts a preliminary tax levy and budget
- October 6 – City Council Workshop on Enterprise Funds
- December 1 - Public Meeting and Council adopts final tax levy and budget

Goals

The City Council 2016/2017 budget goals include the following:

- Enhance service levels in specified areas
 - Parks and Recreation
 - Increased operations for the aquatics and fitness expansion starting in 2015
 - Public Safety
 - Hiring (2) additional police officers in 2016-2017
 - Transportation
- Preserve all other city service levels
 - Service levels have been maintained
- Sustain current levels of employee morale and engagement
 - The organization continues to implement efficiencies and innovations that motivate employees to continually improve the organization
 - The budget includes salary changes that are consistent with public and private sector trends
- Continual review for service efficiencies and innovations
 - The budget includes the following efficiencies and innovations:
 - Continue implementation of energy efficiencies
 - Celebrate successful completion of the 20-40-15 energy program
 - Implement Step 4 – Green Step Cities
 - Plan for and implement next steps of the City’s green initiatives
 - Implement Business Licensing application
 - Implement technology for internal plan review process
 - Implement new intranet site

- Implement design guidelines
- Preserve Eden Prairie's exceptional image internally and externally
- Continue to improve Eden Prairie's relative position in fiscal comparisons with comparable cities
 - Eden Prairie is in the lower quartile of taxes paid for the single value home when compared to the other MLC cities
- Enhance Sense of Community/Community identity
 - Involve citizens in decisions including gathering input at neighborhood events and via electronic feedback. Engagement opportunities will include 2016/2017 budget, comprehensive plan update, etc.
 - Seek input & feedback from diverse groups through town hall meetings and other opportunities
 - Redesign and enhance the website
 - Promote historic properties
 - Complete monument sign project
 - As trends and data warrant, change/improve park and recreation programs

City Survey

The City uses the biennial citizen survey as one input tool for the budget. Surveys were randomly mailed to 1,200 households with 307 of the surveys completed. The survey results are used to monitor trends in resident opinion, measure government performance, inform budget, land use, strategic planning decisions, and benchmark service ratings.

Overall, survey results were positive with the following results:

- Residents enjoy a high quality of life
- Residents value the natural environment and outdoor amenities
- Residents feel safe
- City services were highly rated
- Residents are engaged and they would like to see increased opportunities for engagement.
- A sense of community could be enhanced

95% of residents rated overall quality of life as good or excellent. This compares to 89% from the last survey. Also, 87% of residents rate the quality of City services as good or excellent. 62% of residents rated the value of services for taxes paid as good or excellent. The City Council recognizes the importance of balancing the value of City services with the cost.

The survey provided valuable input and the City Council budget goals include initiatives to increase opportunities for engagement and to increase sense of community.

Preliminary Tax Base and Tax Impacts

The ability to levy and collect taxes is based on property market values, tax capacities, and the City tax rates. The table below shows the history of these items since 2013.

	2013	2014	2015	2016
Market Value	\$8.5 Billion	\$8.6 Billion	\$9.1 Billion	\$9.6 Billion
Adjusted Net Tax Capacity	\$86,172,400	\$88,092,563	\$92,696,474	\$99,954,044
City Tax Rate	34.40%	34.49%	33.74%	32.24%

For 2016, the median value home in Eden Prairie is valued at \$360,300 reflecting an average value increase of 4.8%. In 2015, the median value was \$343,800. Commercial properties have an average value increase of 2.5%, and apartments a value increase of 6.6%.

Below summarizes the **City's tax impact** for residential, apartment, and commercial properties based on current information from the County.

Property Type	2014/2015	2015/2016	Difference	Percent Change
Residential (\$360,300)	\$ 1,173	\$ 1,179	\$ 6	0.5%
Apartment (\$5M)	\$ 20,252	\$ 20,605	\$ 353	1.7%
Commercial (\$2M)	\$ 8,057	\$ 7,886	\$ (171)	(2.1%)

Staff has calculated that a \$333,000 change in the tax levy will impact the median value home by 1% or \$11.00.

Budget and Tax Levy

Below summarizes the proposed total tax levy and budget.

Tax Levy

Fund	2015 Adopted	2016 Proposed	Difference from 2015	Percent Change	2017 Proposed	Difference from 2016	Percent Change
General Fund	\$ 31,051,842	\$ 31,998,874	\$ 947,032	3.0%	\$ 32,958,841	\$ 959,967	3.0%
Capital Improvement Fund	95,369	100,000	4,631	4.9%	100,000	-	0.0%
Debt Levy	2,645,100	2,562,000	(83,100)	(3.1%)	2,553,000	(9,000)	(0.4%)
Sub-total	33,792,311	34,660,874	868,563	2.6%	35,611,841	950,967	2.7%
Less Fiscal Disparity Distribution	(1,611,314)	(1,562,101)	49,213	(3.1%)	(1,562,101)	-	0.0%
Total Levy	\$ 32,180,997	\$ 33,098,773	\$ 917,776	2.9%	\$ 34,049,740	\$ 950,967	2.9%

Budget

Fund	2015 Adopted	2016 Proposed	Difference from 2015	Percent Change	2017 Proposed	Difference from 2016	Percent Change
General Fund	\$ 41,597,465	\$ 43,215,812	\$ 1,618,347	3.9%	\$ 44,377,983	\$ 1,162,171	2.7%
Debt Budget	2,645,100	2,562,000	(83,100)	(3.1%)	2,553,000	(9,000)	(0.4%)
Capital Improvement Plan Levy	95,369	100,000	4,631	4.9%	100,000	-	0.0%
Total City Budget	\$ 44,337,934	\$ 45,877,812	\$ 1,539,878	3.5%	\$ 47,030,983	\$ 1,153,171	2.5%

Debt Levy

For 2016 and 2017 debt payments supported by the tax levy are projected to remain approximately 5% to 6% of the general fund budget. A percentage of 5% to 15% of the general fund budget is considered a moderate debt burden on taxpayers by Moody's investor's services.

Moody's Investors Service has assigned a rating of Aaa to the City of Eden Prairie's (MN) bond for every debt issue since 2003, the highest rating from Moody's. Standard & Poor's has also assigned a rating of AAA to the City of Eden Prairie's bonds outstanding, their higher rating as well. This ensures the City receives the most competitive interest rates. The City's bond ratings reflect Eden Prairie's extensive and diversified tax base, low amount of rapidly amortized debt, and capably managed operations. Of the 854 cities in Minnesota, there are only 14 rated Aaa by Moody's Investors Service and 19 rated AAA by Standard & Poor's.

2016

The City's debt tax levy is decreasing \$83,100 in 2016 and \$9,000 in 2017. The 2005 Special Assessment Bonds for the Mitchell Road and Technology Drive improvements were paid off in 2015. Other debt levies changed due to changes in the debt payment schedule. Also, interest rates change each year on the principal amount owed which can change the debt payment by a small amount.

2017

For 2017, the 2011 equipment certificates were paid off in 2016 which reduced the 2017 debt levy by \$72,000. Also as in 2016, other debt levies changed due to changes in the debt payment schedule.

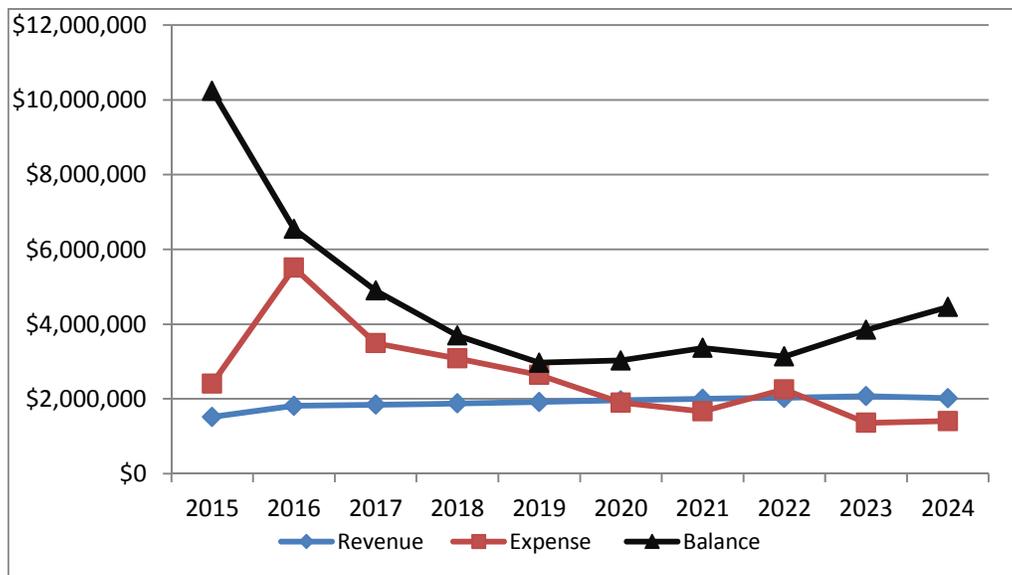
Below summarizes the detail of the 2016/2017 debt levy.

	2015 Adopted	2016 Proposed	Difference	Percent Change	2017 Proposed	Difference	Percent Change
Debt Levy on Tax Capacity							
2005 Special Assessment Bonds	\$ 109,000	\$ -	\$(109,000)	(100.0%)		\$ -	0
2008 Equipment Certificates	395,000	335,000	(60,000)	(15.2%)	310,000	(25,000)	(7.5%)
2009 Equipment Certificates	75,000	45,000	(30,000)	(40.0%)	40,000	(5,000)	(11.1%)
2011 Equipment Certificates	96,100	72,000	(24,100)	(25.1%)	-	(72,000)	(100.0%)
2012B SouthWest Fire Station	320,000	310,000	(10,000)	(3.1%)	310,000	-	0.0%
Sub-total	995,100	762,000	(233,100)	(23.4%)	660,000	(102,000)	(13.4%)
Debt Levy on Market Value							
2011C Parks Referendum	750,000	725,000	(25,000)	(3.3%)	725,000	-	0.0%
2012A Parks Referendum	150,000	150,000	-	0.0%	150,000	-	0.0%
Sub-total	900,000	875,000	(25,000)	(2.8%)	875,000	-	0.0%
Total Debt Levy	\$ 1,895,100	\$ 1,637,000	\$(258,100)	(13.6%)	\$ 1,535,000	\$(102,000)	(6.2%)
2014 Tax Abatement	750,000	925,000	175,000	23.3%	1,018,000	93,000	10.1%
Total	\$ 2,645,100	\$ 2,562,000	\$(83,100)	(3.1%)	\$ 2,553,000	\$(9,000)	(0.4%)

Capital Levy

The City prepares a ten year capital improvement plan and updates the plan every other year. The Capital Improvement and Maintenance fund (CIMF) pays for capital projects that do not have another funding source, for example, playground replacement, repair and expansion of trails, parks – parking lot maintenance, public safety radio replacement, etc. The CIMF is funded through liquor operations profit, rental income, antenna revenue, a tax levy, miscellaneous revenue, and one-time funds the City receives. For example, when the general fund has positive operating results, amounts not needed to meet the fund balance policy have been transferred to the CIMF.

The capital levy was increased 4.9% from \$95,369 to \$100,000 for 2016 and 2017. The cash flow projections from when the plan was last updated in 2014 for the 2015 to 2024 plan are shown below.



General Fund Revenue Budget

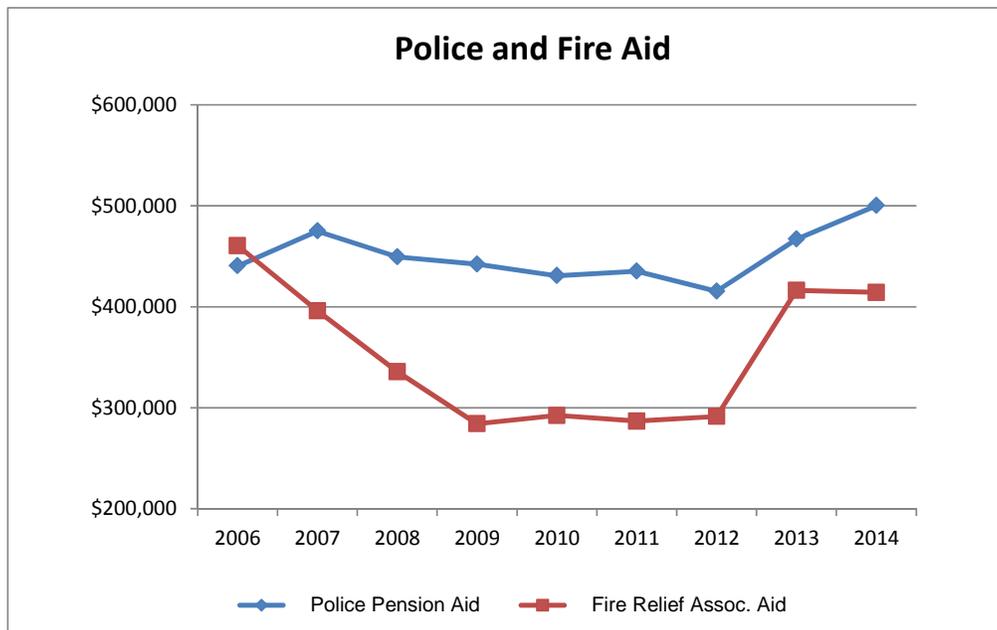
General Fund revenues are budgeted to increase from \$40,862,081 in 2015 to \$42,668,599 in 2016. This is an increase of \$1,806,518 or 4.4%. Without the community center aquatic and fitness expansion the increase is 2.7%. For 2017 revenues are budgeted to increase 2.9%.

The tax levy in the proposed budget is increasing 3% for both years.

Licenses and permits revenue is increasing \$9,606 or .3% for 2016 and is flat for 2017. Significant items to note include the following:

- Building permit and fees revenue is budgeted to increase \$120,000 or 6% in 2016. This budget was held flat for 2017 as we budget a higher increase every other year.
- Point of sale inspection fees of approximately \$130,000 were eliminated. This was a program budgeted in 2015 that was not implemented. Expenditures for 2016 and 2017 have also been eliminated for this program.

Intergovernmental revenue increased \$182,000 in 2016 primarily due to additional police and fire aid and 2017 is budgeted to remain flat. The pension aid is based on fire and auto insurance premiums in the state and as you can see from the graph below the revenue is not consistent. Therefore, we budget for the last amount received.



Additional intergovernmental revenue was added for various grants the City receives on a regular basis. The City has not budgeted for these grants in the past but based on the consistent history, staff felt comfortable budgeting a conservative amount for the amount expected. These grants including \$50,000 for a Towards Zero Death grant for seat belt and DUI enforcement,

\$10,000 for fire training and education grant from the MN Board of Firefighters, and \$5,000 for a federal bullet proof vest grant.

For 2016, charges for services are increasing \$869,966 or 18%. The largest part of the increase is for the community center which is increasing \$815,379 or 22% over the previous year. Due to the aquatic and fitness expansion, membership rates are increasing 5% to adjust for the increased services citizens will receive and an increase in the number of memberships is also expected. All other charges for services are increasing \$35,587 or 3.5%. For 2017, charges for services are increasing \$277,584 or 5%.

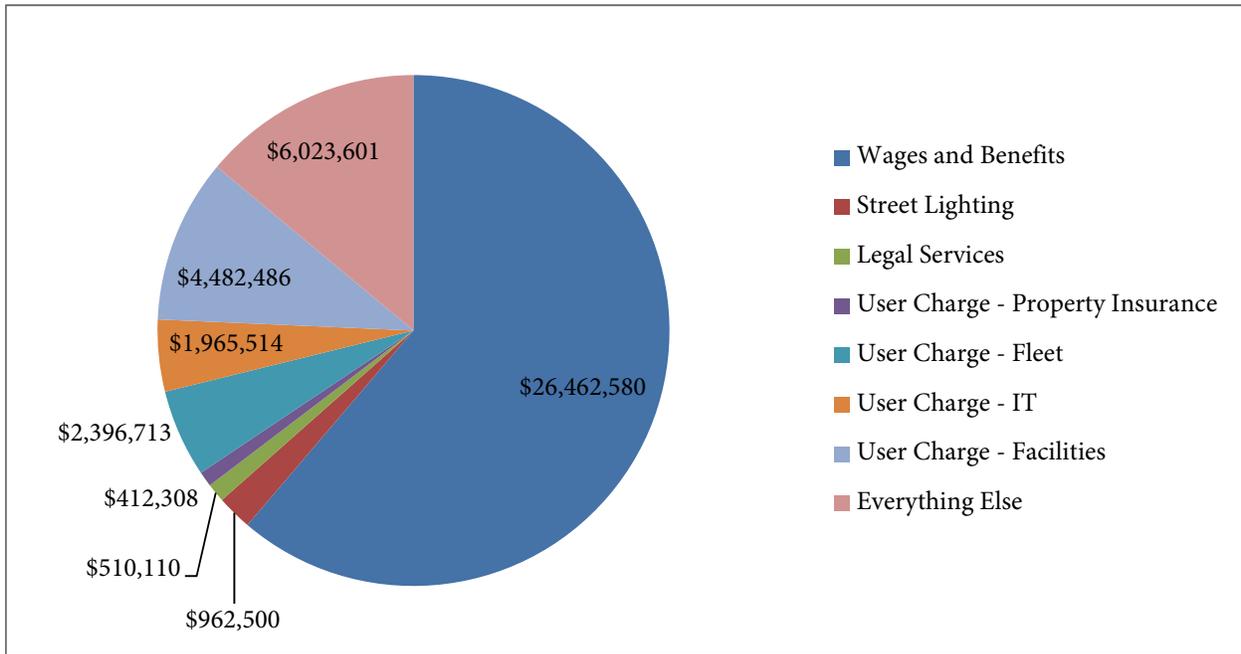
Fines and penalties have decreased the past two years and vary each year. The budget decreased \$77,000 to reflect the expected activity in 2016 and 2017.

General Fund Expenditure Budget

Expenditures are currently proposed to increase 3.9% in 2016 and 2.7% in 2017. Without the Community Center pool and fitness expansion, expenditures would increase 3.0% in 2016.

Since the City provides significant services to the community, wages and benefits make up 62% percent of the general fund budget. The most significant categories include wages, pension and taxes, health insurance, part-time wages, and workers compensation insurance. Other significant costs include amounts to maintain facilities, fleet services, information technology, street lighting, and property insurance. These items make up another 24% of the budget. All other items make up 14% of the budget and consist of a variety of unique items on 84 different line items in each division's budget.

The chart below illustrates the make-up of the budget.



Detailed Information

Below provides information on the significant items in the budget.

Wages

Wages are increasing 2.4% and 3.6% in 2016 and 2017 respectively. This includes a 2.5 percent base increase each year, step increases, performance pay, and staff turnover. There is a reduction of 1.5 employees for the point of sale program that was not implemented. There is an additional employee added for the community center, a fitness and administration supervisor. Also an additional police officer was added in 2016 and 2017.

The City prepares the budget for wages by looking at trends within the private sector labor market and our local government peer group. Based on the compensation trends we are seeing, we are proposing a 2.5% wage increase in 2016 and 2017. This proposal is in line with our peer cities and the private sector. In 2016 our local government peer group is estimating that the average increase will be 2.5%. Additionally, according to a recent study done by the Society of Human Resources Management (SHRM), private sector labor market is showing an average of 2.7% increases in 2016 after a 2.9% average increase in 2015.

The City is also proposing a 2.5% increase in wages for 2017. In 2017, several cities are estimating increases averaging between 2.44% and 2.8%. The City needs to stay in line with our peers and the private sector if we want to retain our highly skilled workforce. Additionally, maintaining a competitive wage is important so that Eden Prairie maintains the lowest level unionization when compared to our benchmark communities. We will have an open labor contract for 2017 and will need to remain competitive with other contracts and communities. The results of a comprehensive 2012 wage study showed that the City was in line with the private and public sectors in the market. We must continue to provide similar increases as the private sector and our public sector peer cities to remain competitive.

Wages – Part time

Wages part-time is increasing \$368,000 or 18% in 2016 and decreasing \$61,600 or 2.6% in 2017. The reason for the large increase in 2016 includes \$177,000 for the community center aquatics and fitness expansion and \$99,000 for elections.

Volunteer Wages

Volunteer wages are increasing \$44,460 or 8% in 2016 and \$35,200 or 5.75% in 2017. In July of 2016 staff anticipates increasing duty crew wages from \$11.00 to \$12.00 and then in July 2017 increasing wages to \$13.00. Also, \$7,600 was added to increase the stipend for the command staff.

PERA

The City pays public employees retirement (PERA) benefits for all eligible employees. Generally all full time employees and part-time employees, who earn more than \$5,100 a year, are PERA eligible. The City currently contributes 7.50% of salary for PERA except for the police and fire employees where the percent is 16.2%. The City also pays 7.65% of salary for FICA except for police and fire where the percentage is 1.45%. The City has budgeted \$2,995,947 and \$3,097,923\$ for PERA/FICA in 2016 and 2017.

Health Insurance

The health insurance budget is increasing 5% for premiums and an additional 3% for healthcare reform taxes. When the City last completed an RFP for health insurance, HealthPartners provided for a 5% cap. A ten percent increase was budgeted for 2017.

The actual budgeted increase is 3.8% for 2016. The increases are less than the premium and tax increases due to keeping the HRA/HSA contribution flat and employee insurance decisions.

Workers Compensation

The workers compensation user charge is changing from \$650,979 in 2015 to \$612,652 in 2016 which is a 5.9% decrease. The 2015/2016 premium showed a 6.5% reduction. The City's experience modification improved. Also, workers compensation rates for each employee category change (increase and decrease) every year. For 2017 the charge is budgeted to increase to \$681,895 which is an 11% increase.

Property and Liability Insurance

The property insurance user charge is increasing from \$402,209 in 2015 to \$412,308 in 2016 and to \$439,310 in 2017. This is a 2.5% and 6.5% increase respectively. The 2017 increase is higher based on historical average increases and can be reviewed again in 2016.

Facilities User Charges

Facility user charges are increasing .7% in 2016 and 3% in 2017 excluding the pool and fitness expansion. With the expansion, charges are increasing 6.3% and 3% respectively. For the pool and fitness expansion, costs are increasing in all categories to pay for the additional square footage and pools.

IT User Charges

For the General Fund, IT user charges are decreasing 1.7% and increasing 1.2% in 2016 and 2017 respectively. The amount budgeted went from \$1,999,716 in 2015, \$1,965,514 in 2016, and \$1,988,504 in 2017. Some budget items to note include that the computer replacement cycle was changed. Computers will now be replaced every 3 years rather than every 4 years. This increased the budget by \$29,779. \$10,000 was added for GIS Staff Augmentation and \$45,000 was added for Contract Development related to CIS iPad. These budgets are expected to decrease in future years as IT staff become more familiar with these areas. Off-setting these increases include a reduction due to staff turnover.

Fleet Services User Charges

Fleet services user charges for the general fund are decreasing .8% in 2016 and increasing 2.2% in 2017. The Fleet Services budget is able to hold fairly constant through this budget cycle primarily due to the anticipated stability of fuel prices and the City's continued efforts to conserve fuel and improve vehicle and equipment fuel economy.

Long term outlooks for gasoline and diesel fuel indicate an annual cost increase of approximately 2% for gasoline and 2.5% for diesel fuel. These cost increases should be equally offset as we acquire new and more fuel efficient vehicles and equipment.

HRA

The HRA levies and pays for wages and benefits related to the support of housing in the City. It includes staff time from Housing and Community Services, Community Development, Planning, Economic Development, and Fire. Wages and benefits total \$186,589 for 2016 and \$193,573.

Conclusion

This document is intended to provide information on the proposed 2016/2017 City of Eden Prairie budget. If you have any questions about the budget contact a member of the finance team or the individual operating areas.

General Fund Statement

	2014	2015	2016	Incr / (Decr) from 2015 Budget		2017	Incr / (Decr) from 2016 Budget		
	Actual	Budget	Proposed	Dollar	Percent	Proposed	Dollar	Percent	
REVENUES									
Taxes	\$ 29,912,869	\$ 30,570,531	\$ 31,442,897	\$ 872,366	2.9%	\$ 32,383,664	\$ 940,767	3.0%	
License and Permits									
Building Permits and Fees	3,496,417	2,000,000	2,120,000	120,000	6.0%	2,120,000	-	0.0%	
Other	1,397,297	1,495,863	1,385,469	(110,394)	(7.4%)	1,385,559	90	0.0%	
Total Licenses and Permits	4,893,714	3,495,863	3,505,469	9,606	0.3%	3,505,559	90	0.0%	
Intergovernmental Revenue									
Police Pension Aid	500,116	415,000	500,000	85,000	20.5%	500,000	-	0.0%	
Fire Relief Association Aid	414,343	381,000	414,000	33,000	8.7%	414,000	-	0.0%	
School Liaison	115,798	116,955	115,798	(1,157)	(1.0%)	115,798	-	0.0%	
Other	311,032	141,250	206,250	65,000	46.0%	206,250	-	0.0%	
Total Intergovernmental Revenue	1,341,290	1,054,205	1,236,048	181,843	17.2%	1,236,048	-	0.0%	
Charges for Services									
Public Safety	97,369	83,500	102,500	19,000	22.8%	102,500	-	0.0%	
Recreation	4,744,488	4,726,719	5,577,685	850,966	18.0%	5,855,269	277,584	5.0%	
Total Charges for Services	4,841,856	4,810,219	5,680,185	869,966	18.1%	5,957,769	277,584	4.9%	
Fines and Penalties	391,010	577,000	500,000	(77,000)	(13.3%)	500,000	-	0.0%	
Investment Income	52,185	100,000	50,000	(50,000)	(50.0%)	50,000	-	0.0%	
Other Revenue	500,883	254,263	254,000	(263)	(0.1%)	254,000	-	0.0%	
Total Revenues	41,933,807	40,862,081	42,668,599	1,806,518	4.4%	43,887,040	1,218,441	2.9%	
EXPENDITURES									
General Government	6,150,498	6,238,493	6,461,530	223,037	3.6%	6,525,927	64,397	1.0%	
Public Safety	18,530,493	18,793,731	19,254,000	460,269	2.4%	19,975,205	721,205	3.7%	
Public Works	5,677,946	5,981,421	6,198,987	217,566	3.6%	6,335,493	136,506	2.2%	
Parks and Recreation	10,291,423	10,377,275	11,104,750	727,475	7.0%	11,340,160	235,410	2.1%	
Debt Service	46,544	46,545	46,545	-	0.0%	51,198	4,653	10.0%	
Total Expenditures	40,696,905	41,437,465	43,065,812	1,628,347	3.9%	44,227,983	1,162,171	2.7%	
Excess (Deficiency of Revenues over Expenditures)	1,236,902	(575,384)	(397,213)	178,171	(31.0%)	(340,943)	56,270	(14.2%)	
OTHER FINANCING SOURCES / (USES)									
Transfers in	271,295	406,610	270,000	(136,610)	(33.6%)	270,000	-	0.0%	
Transfers out	(724,435)	(160,000)	(150,000)	10,000	(6.3%)	(150,000)	-	0.0%	
Proceeds from Disposition of Capital Assets	14,024	-	-	-	-	-	-	-	
Total Other Financing Sources	(439,116)	246,610	120,000	(126,610)	(51.3%)	120,000	-	0.0%	
Net Change in Fund Balance	\$ 797,786	\$ (328,774)	\$ (277,213)	\$ 51,561	(15.7%)	\$ (220,943)	\$ 56,270	(20.3%)	